



Congressman Jim Jordan (R-OH), RSC Chairman
Congressman Connie Mack (R-FL), RSC Repeal Task Force Chairman

Repeal the Service Contract Act

July 18, 2012

Background: The McNamara-O'Hara Service Contract Act of 1965 regulates all contracts for services (with specific exceptions) in excess of \$2,500. The law requires that contractors and subcontractors performing services on covered federal or D.C. contracts pay their employees at least the wages and benefits "found prevailing in the locality" or wages in a predecessor contractor's collective bargaining agreement. These standards are set and enforced by the Employment Standards Administration's Wage and Hour Division, all of which is within the Department of Labor.

- **What This Proposal Will Do:** This proposal would repeal the Service Contract Act in its entirety.
- **Why This Is Necessary:** The Service Contract Act dramatically drives up the cost of services provided to the federal government by disrupting freely made transactions of services for wages by employers and employees. This artificial inflation of wages limits the freedoms of both parties to engage in these activities at a point where both sides agree that it is in their interest, while sticking taxpayers with the bill.
- **Government Gone Wild:** The federal government has extended its reach into everyday economic transactions dramatically over the past century, and this Act constitutes yet another example of an unnecessary and counterproductive federal distortion of the free market. In this case, the federal government is not even held to a fair standard of intervention—it allows the Department of Labor to discern the 'fair wage' in any given situation, leaving a good deal of room for unreasonable federal intrusion. What is worse, the federal government is also spending money to enforce this intervention into the free actions of employers and employees. [CBO](#) noted in a 2001 report that repeal of the Service Contract Act would reduce outlays by \$13.8 billion over the 2004-2013 period.

Conclusion: The McNamara-O'Hara Service Contract Act of 1965 forces the federal government to spend money in order to impinge upon the ability of citizens in a free society to enter into mutually beneficial contracts. This law should be repealed.

MEMBER ACTION ITEM: RSC Members may wish to consider introducing legislation to repeal the 1965 Service Contract Act. If you are interested in introducing legislation on this topic, please contact Rick Eberstadt at Rick.Eberstadt@mail.house.gov.

If you would like to participate in the RSC Repeal Task Force, please email Rick.Eberstadt@mail.house.gov.

Items featured are not necessarily endorsed by the RSC or members of the Repeal Task Force.

These Alerts highlight repeal initiatives of individual RSC members.

"The RSC Repeal Task Force's mission is to put our nation onto a path of greater economic freedom by eliminating U.S. federal laws and regulations that impede or inhibit economic growth, prosperity and opportunity."